

MILLS ACT APPLICATION REQUIREMENTS

Thank you for your interest in the City of Santa Barbara's Mills Act Program. In order for your property to be considered for a contract you must have a designated historic resource listed on any city, county, state or federal register. City designations are: Landmark, Structure of Merit, and contributor to a designated Historic District.

The City of Santa Barbara can accept up to eight (8) Mills Act contracts per year – six residential and two commercial, or up to eight residential if no commercial applications are submitted. Applications will be accepted during the months of January through June and must be submitted with a non-refundable application fee of \$40. Incomplete applications will not be considered. The eight (8) contracts awarded will be ranked and selected using adopted eligibility criteria for the program. Some properties may not qualify due to the cap limits on the total assessed property valuation (currently 1.5 million). Once approved, a contract initiation fee of \$400 will be due. All contracts are reviewed by the Historic landmarks Commission and referred to the Community Development Director for final approval.

A ten-year rehabilitation plan is required as part of the application and will be re-evaluated every five (5) years or as needed. Upon acceptance to the program your property will be subject to an initial inspection by the City's Design Review Supervisor to assist you in finalizing the rehabilitation plan. It is necessary that you submit the necessary photo documentation on the current condition of the property. You will be required to submit annual reports on completed project(s), along with copies of receipts and building permits where applicable. City staff may conduct property inspections at any time to ensure that proposed work has been completed per contract agreement and meets all applicable City standards.

This packet is designed to assist you in completing the Mills Act Application. The application packet is also available on line at www.SantaBarbaraCA.gov. If you have any questions please contact Jaime Limon, Design Review Supervisor, at (805) 564-5507 or email at jlimon@SantaBarbaraCA.gov.

This packet includes:

- Mills Act Fact Sheet
- Mills Act List of Potential Projects
- Maintenance and Rehabilitation Standards and Conditions
- Tax Adjustment Worksheet Guide
- Mills Act Program Application Checklist
- Mills Act Program Application
- Mills Act Program Ten-year Rehabilitation Plan
- Mills Act Program Financial Analysis Form
- Mills Act Program Tax Adjustment Worksheet
- Mills Act Program Financial Analysis Worksheet
- Mills Act Program Property Owner Annual Report
- Mills Act Program Property Inspection Information



MILLS ACT FACT SHEET

- The Mills Act (a state sponsored legislation enacted in 1972) is a self-directed, economic incentive program for owners of historic buildings that are listed in the National Register of Historic Places or on a state, county, or city official register. The Mills Act it is the single most important economic incentive program available in California for private property owners of qualified historic buildings. It is also applicable to income producing properties. A Mills Act program must be developed according to two California State Codes: California Government Code, Article 12, Sections 50280-50290 and California Revenue and Taxation Code, Article 1.9, Sections 439-439.4.
- Under the program, property owners receive a significant reduction in local property taxes in exchange for their promise to actively participate in restoring, rehabilitating, repairing and preserving their properties. Participants enter into a perpetual 10-year contract with the City.
- Contracts are automatically renewed each year and may be transferred to new owners when the property is sold.
- City, county, or state officials may periodically inspect properties to ensure proper maintenance.
- Penalties may be imposed for breach of contract or failure to maintain the historic property.
- The county assessor's office re-assesses property taxes based on a capitalization of income formula rather than on market value. Mills Act participants may realize a property tax savings of approximately 30 to 60% each year depending on property value, net operating income, and other variables.



MILLS ACT LIST OF POTENTIAL PROJECTS

Projects may include but are not limited to:

Access Modifications – Exterior Access Modifications – Interior

Accessory Structure Repair or Replace

Annual Maintenance & Repairs

Appliance Vent

Architectural – Remove Non-historic Feature &

Restore to Original Architectural Trim – Repair Architectural Trim – Replace Architectural Trim – Install New Balcony/ Decks – New Railings Balcony/ Decks – Repair or Replace

Basement – Access – Repair or Replace to Code

Basement - New or Rebuild

Cabinets – New Built-in Bathroom Cabinets – New Built-in Kitchen Cabinets – New Built-in Other

Carpentry – Remove window & reframe shower

including Siding/Caulking

Chimney – Inspect and Clean

Chimney – New

Chimney – Rebuild or Repair

Code Repair Item

Column – Replace or Rebuild

Corbels/ Structural Brackets Replace or Repair

Door – Repair or Replace Screen Door

Door – Hardware

Door – New Basement Hatch Cover and Base

Door - Repair

Door - Replacement

Drain for Deck – Install & or Repair Drainage Protection or Correction

Dry-Rot Remove, Repair and or Replace Electrical – Rewire or Install New Outlets Electrical – Complete Rewire and Service

Upgrade

Electrical – Ground & Service Entry Electrical – Install New Circuits

Electrical – Lighting Fixtures

Electrical – New Service Lines to Garage Electrical – Security Lighting and Alarm

Electrical – New Outlets Fence – Repair or New Flashing

Floor Furnace – Remove or Restore floor

Flooring – Carpet Flooring – Repair

Flooring -Repair Wood Floors

Flooring – Replacement

Foundation – Bolting and Seismic Work

Foundation – New Foundation – Repair

Gable or Attic – Re-screening

Garage Door

Gutters & Downspouts House Relocation

HVAC – Complete New System

HVAC - Maintenance & Replacement/Plumbing

Service & Painting

Insulation – Walls – Blown-in

Insulation – Attic

Interior Trim – Refinish

Kitchen – New Counters

Masonry - New

Masonry - Repair or Replace Tile Hearth

Masonry – Repair or Repoint Masonry – Repoint Brick Mechanical – Air Conditioning Mechanical – Heating Unit

Mechanical – Ventilation – New Kitchen/Bath

Fan & Duct Work Mechanical – Venting & Duct

Mechanical – Venting & Duct Work Minor Painting and Exterior Repairs

Painting – Exterior Painting – Interior

Painting - Removal of Lead Based Paint

Painting – Exterior Trim

Patio – Repair

Plastering – Remove, Replace, or Refinish Plumbing – DWV, Drain, Waste & Vent

Plumbing – Fixtures

Plumbing – Install new supply lines

Plumbing – Install Sump Pump & Discharge

Drain

Plumbing – Minor Repairs Plumbing – New Supply Plumbing – Service Lines

Mills Act Application Requirements

Plumbing – Sewer Plumbing Repairs

Porch - Ceiling replacement Porch - Rebuild or Replace

Porch – Repair

Porch – Repoint Brick

Porch Railing - Repair or Replace to Code

Porches – Resurface

Remove Substandard Construction (Tin Shed)

Repair Eaves and/or Overhangs

Repair Exterior Stucco

Repair Garage Replace Garage

Replace Non-Historic Feature

Roof- Minor Repair Roof- Reroof

Roof- Strip and Install New

Security Lighting and Alarm System

Seismic Retrofitting – Other than Foundation Siding – Remove Asbestos Siding & Restore

Siding – Repair

Skylights – Replace Stair – Repair

Stair – Replacement

Stonework Stoop – Repair

Stoop - Replacement

Structural – New Framing or Repairs

Structural Bracing

Structural Modifications

Structural Repairs – Roof and/or Ceiling Joists

Termite Treatment

Termite Treatment and Repair Tile – Replace, Repair or Repoint

Utility Enclosure – New Ventilation – Attic Fan

Waterproofing Weatherproofing

Window – Screens or Hardware

Windows – Repair

Windows – Replacement in kind



MAINTENANCE AND REHABILITATION STANDARDS AND CONDITIONS

Secretary of the Interior's Standards for Rehabilitation

- 1. A property will be used as it was historically or be given a new use that requires minimal change to its distinctive materials, features, spaces, and spatial relationships.
- 2. The historic character of a property will be retained and preserved. The removal of distinctive materials or alteration of features, spaces, and spatial relationships that characterize a property will be avoided.
- 3. Each property will be recognized as a physical record of its time, place, and use. Changes that create a false sense of historical development, such as adding conjectural features or elements from other historic properties, will not be undertaken.
- 4. Changes to a property that have acquired historic significance in their own right will be retained and preserved.
- 5. Distinctive materials, features, finishes, and construction techniques or examples of craftsmanship that characterize a property will be preserved.
- 6. Deteriorated historic features will be repaired rather than replaced. Where the severity of deterioration requires replacement of a distinctive feature, the new feature will match the old in design, color, texture, and, where possible, materials. Replacement of missing features will be substantiated by documentary and physical evidence.
- 7. Chemical or physical treatments, if appropriate, will be undertaken using the gentlest means possible. Treatments that cause damage to historic materials will not be used.
- 8. Archeological resources will be protected and preserved in place. If such resources must be disturbed, mitigation measures will be undertaken.
- 9. New additions, exterior alterations, or related new construction will not destroy historic materials, features, and spatial relationships that characterize the property. The new work shall be differentiated from the old and will be compatible with the historic materials, features, size, scale and proportion, and massing to protect the integrity of the property and its environment.
- 10. New additions and adjacent or related new construction will be undertaken in such a manner that, if removed in the future, the essential form and integrity of the historic property and its environment would be unimpaired.

Property Maintenance

All buildings, structures, yards and other improvements shall be maintained in a superior manner. All current building and zoning codes will be enforced. The following conditions are prohibited:

- a. Dilapidated buildings or features such as fences, roofs, doors, walls and windows.
- b. Abandoned or discarded objects, equipment or materials such as automobiles, automobile parts, furniture, appliances, containers, lumber or similar items stored outside but within property lines.
- c. Stagnant water or open excavations.
- d. Any device, decoration or structure, which is unsightly by reason of its height, condition or location.
- e. Peeling exterior paint or unremoved/uncovered graffiti.

- f. Overgrown landscaping, exposed bald areas within yards or grounds and broken hardscape features which could cause injury.
- g. Other substandard conditions as cited by the Historic Landmarks Commission, the Community Development Director, or the City's Urban Historian.

Conditions

This Historical Property Contract provides the potential for property tax reduction in exchange for agreement to rehabilitate and maintain an historic building. Existing conditions not in conformance with the Secretary of the Interior's Standards, may be required to be removed and the original conditions remedied as part of this contract.



TAX ADJUSTMENT WORKSHEET GUIDE

The following is an example showing the possible tax benefits to the historical property owner of an owner-occupied single-family dwelling. This form is a guideline only. Your reduced property tax under a Mills Act contract is not guaranteed to match this calculation.

EXAMPLE: Single-family Dwelling

Current Assessed Value = \$700,000 Estimated Monthly Rent = \$2,500

A. Determine Annual Income and Annual Operating Expenses

\$2,500 per month income minus approximately \$400 per month expenses for maintenance, repairs, insurance, utilities, and gardener equals a net income of \$2,100 per month. Multiply by 12 months to for an annual net income of \$25,200. (Mortgage payments and property taxes are not considered expenses.)

B. Determine Capitalization Rate

Add the following together to determine the Capitalization Rate:

The Interest Component is determined by the Federal Housing Finance Board and is based on conventional mortgages. While this component will vary from year to year, the State Board of Equalization has set this at 6.75% for 2007.

The Historical Property Risk Component of 4% (as prescribed in Sec. 439.2 of the State Revenue and Tax Code) applies to owner-occupied single-family dwellings. A 2% risk component applies to all other properties.

The Property Tax Component (Post-Prop. 13) of 0.01 times the assessment ratio of 100% (1%).

The Amortization Component is a percentage equal to the reciprocal of the remaining life of the structure and is set at the discretion of the County Assessor for each individual property. In this example the remaining life of a wood frame building is typically 20 years. The amortization component is calculated thus: $100\% \times 1/20 = 5\%$. Use 5% for your calculation.

Now add the following:

6.75% + 4% + 1% + 5% = 16.75% Capitalization Rate (Single-family dwelling)

C. Calculate New Assessed Value and Estimated Tax Reduction

The new assessed value is determined by dividing the annual net income (\$25,200) by the capitalization rate 0.1675 (16.75%) to arrive at the new assessed value of \$50,149.

D. Lastly, determine the amount of taxes to be paid by taking 0.01 (1%) of the assessed value \$52,500.

Compare with current property tax rate for land and improvements only (be sure to voter indebtedness, direct assessments, tax rate areas and special districts items on your tax bill):

Before the Mills Act: 1% of original assessed valuation of \$100,000 ($$100,000 \times 0.01 = $1,000$).

After the Mills Act: Mills Act property tax: 1% of new assessed value of \$50,149 is \$501.

Annual property taxes have been reduced by \$499 (\$1,000 - \$501), a 50% property tax reduction.

**The Mills Act applies ONLY to general levy property taxes. Be sure to DEDUCT the portions of your tax bill that include sewer assessment, bond issues, etc. when calculating what portion of your property tax will be reduced by the Mills Act.

**Single-family applicants may find that a realtor can assist in determining a monthly rental figure.



MILLS ACT PROGRAM APPLICATION CHECKLIST

Completed Application Form	
	Mills Act Program Application
	Mills Act Program Ten-Year Rehabilitation Plan
	Mills Act Program Financial Analysis Form
	Mills Act Program Tax Adjustment Worksheet
	Mills Act Program Financial Analysis Worksheet
Exterior Photographs of Property	
Tax Savings Calculation	
Ten-year Plan for Property Improvements	
Copy of Grant Deed with legal description of property	
\$40 Non-Refundable Application Fee	



MILLS ACT PROGRAM APPLICATION

Property Information:	
Property Address	
APN:	
Use of Property:	
Owner(s):	
Address:	
Telephone No.: Daytime	
E-mail address:	
Eligibility for Program:	
City Landmark	City Structure of Merit
County Landmark	California Register
State Landmark	State Point of Historical Interest
National Register	National Historic Landmark
Contributor to a Designated Historic District	
Name of District:	
Date of Designation:	

Project Address:	Year One:	
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MILLS ACT PROGRAM TEN-YEAR REHABILITATION PLAN

Year	Proposed Project*	Estimated Cost
Year 1:		
Year 2:		
Year 3:		
Year 4:		
Year 5:		
Year 6:		
Year 7:		
Year 8:		
Year 9:		
Year 10:		

To be attached to the Historic Property Preservation Agreement (Mills Act Contract) as Exhibit D.

Projects may be interior or exterior, but must utilize all of your tax savings. All projects that affect the exterior of the residence are subject to Historic Landmarks Commission/Staff review and approval before work begins. Work must meet all City requirements and the *Secretary of the Interior's Standards for the Treatment of Historic Properties*. (See attachment summary).

Retain copies of all receipts and permits for submittal with the required annual reports.

^{*}See attached for list of potential projects. Use additional sheets if necessary.

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Project Address:	
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MILLS ACT PROGRAM TAX ADJUSTMENT WORKSHEET

STEP 1: DETERMINE ANNUAL INCOME OF PROPERTY

ANNUAL PROPERTY INCOME		CURRENT	EXPLANATION
1.	. Monthly Rental Income		Even if the property is owner-occupied, an estimated monthly rental income is needed as a basis for this formula
2.	. Annual Rental Income		Multiply Line 1 by 12

STEP 2: CALCULATE ANNUAL OPERATING EXPENSES

ANNUAL OPERATING EXPENSES		CURRENT	EXPLANATION
3.	Insurance		Fire, Liability, etc.
4.	Utilities		Water, Gas, Electric
5.	Maintenance		Maintenance includes: painting, plumbing, electrical, gardening, cleaning, mechanical, heating repairs, and structural repairs
6.	Management		
7.	Other Operating Expenses		Security, services, etc. Provide breakdown on separate sheet
8.	TOTAL EXPENSES		Add Lines 3 through 7

STEP 3: DETERMINE ANNUAL NET INCOME

NET OPERATING INCOME		CURRENT	EXPLANATION
9.	Net Total		Line 2 minus Line 8

Project Address:

STEP 4: DETERMINE CAPITALIZATION RATE

	CAPITALIZATION	CURRENT	EXPLANATION
10.	Interest Component	6.75%	As determined by the State Board of Equalization for 2008
11.	Historic property Risk Component		Single-family home = 4.0% All other property = 2.0%
12.	Property Tax Component	1.0%	0.01 times the assessment ratio of 100%
13.	Amortization Component (Reciprocal of life of property)		If the life of the improvement is 20 years, use $100\% \times 1/20 = 5\%$
14.	TOTAL = CAPITALIZATION RATE		Add Lines 10 through 13

STEP 5: CALCULATE NEW ASSESSED VALUE

	NET ASSESSED VALUE	CURRENT	EXPLANATION
15.	Mills Act Assessed Value		Line 9 divided by Line 14 Example: Line 9 divided by 0.1575 (15.75%)

STEP 6: DETERMINE ESTIMATED TAX REDUCTION

CAPITALIZATION		CURRENT	EXPLANATION
16.	Current Tax		General tax levy only – do not include voted indebtedness or other direct assessments
17.	Tax under Mills Act		Line 15 multiplied by 0.01
18.	Estimated Tax Reduction		Line 16 minus Line 17

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MILLS ACT PROGRAM PROPERTY OWNER ANNUAL REPORT

Property Address:		Date	
What were your tax savings the	his year?		
What projects did you comple	ete?		
What was the cost of the projection	ect(s)?		
Based on the results of projec	t(s) would you like to rev	ise your Ten-Year Plan?	
If so, how?			
Comments/ Suggestions:			
(Attached additional sheets if	necessary)		
Print Name		Signature	
IMPORTANT: Attach copies	s of Receipts and Permits	to this form for documentation.	
Return form by June 30 th vi	a U.S.P.S. mail to:		
Jaime Limon			
Design Review Super	visor		
City of Santa Barbara			
P.O. Box 1990	2102 1000		
Santa Barbara, CA 93	5102-1990		



MILLS ACT PROGRAM PROPERTY INSPECTION INFORMATION

Initial Inspection:

If you are selected to participate in the Mills Act, City Planning staff will complete an initial inspection of your property to help finalize your Ten-Year Rehabilitation Plan and to photo document the current condition of the property. Photographs will be attached to the Historic Property Preservation Agreement (Mills Act Contract) as Exhibit C. The inspection will be scheduled at a time that is convenient for you and will include a walk-through of the residence and any accessory buildings as well as a general inspection of the property.

Periodic Inspection:

City planning staff may inspect your property periodically following submittal of your Annual Report to ensure that work has been completed in accordance with the Ten-Year Rehabilitation Plan and all City requirements. Exterior work that is easily visible from the street may be inspected without an appointment. Interior work will require an inspection appointment. Photographs will be taken as part of the inspection for inclusion in you file.

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